

Are you ready to replace LIBOR?



“The U.S. financial industry must accelerate efforts to move away from the scandal-plagued LIBOR reference interest rate...The Federal Reserve will expect to see an appropriate level of preparedness at the banks it supervises.”

**FEDERAL RESERVE VICE CHAIRMAN FOR SUPERVISION
RANDAL QUARLES, REUTERS APRIL 10, 2019**

The London Interbank Offered Rate (LIBOR) is the most broadly used interest rate benchmark in the world with an estimated open notional exposure of \$350-\$370 trillion across derivatives, bonds, loans and other instruments. These securities will likely require conversion to an alternative Risk Free Rate (RFR), fixed rate or other indexes per deal covenants and agreements.

If you are a holder and/or issuer of LIBOR-linked securities extending beyond the end of 2021 the time to prepare is now. It should be an urgent priority not only to evidence support for the transition but also build internal expertise required to compete in the post LIBOR marketplace.

Here is a list of key questions firms should consider regarding the preparation and execution of this initiative.

1. Has someone been identified to lead your enterprise LIBOR transition program?
2. Has your business unit formed a program response team?
3. What are your firm's LIBOR replacement base assumptions?
4. New LIBOR based issuances - Where are you with the development of disclosures, fallback language, triggers, alternative reference rate definitions and spread methodology?
5. Risk management and valuations - Has work commenced regarding the impact with moving to a RFR?
6. Hedge accounting and relationships – Have impact reviews been initiated?
7. If LIBOR was discontinued today how would you quantify the impact?
8. How would your firm respond to a regulator's request to present your plan for the transition of LIBOR and compliance with European Benchmark Regulation (EBR) requirements?
9. What is your regional perspective in regards to planning and preparedness?